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AID TO DEPRESSED AREAS

by

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AID TO DEPRESSED AREAS

SHAPING of a new program to help put chronically depressed areas of the United States on the road to economic recovery is slated for urgent consideration by the 87th Congress. Preparations for prompt action were set in motion Dec. 4 when President-elect John F. Kennedy, moving to fulfill a campaign pledge, named Sen. Paul H. Douglas (D Ill.) to head a committee to draft proposals for extending earliest possible assistance to regions long plagued by substantial unemployment.

The committee, made up of a score of business, labor and civic leaders, held an organizational meeting at Charleston, W. Va., Dec. 9, and divided itself into six groups, each to draw up recommendations in an assigned field.[1] The full committee is to meet in Washington two days after Christmas to formulate a final report for submission to the President-elect by New Year's Day. Sen. Douglas plans to introduce a depressed areas bill in the Senate as soon as the new Congress convenes. He justified the tight schedule of his special committee by saying at Charleston on Dec. 9:

> There is a time for study and contemplation, and there is a time for action. I believe strongly that the time for action is now. Conditions of chronic unemployment have been studied at great length and at considerable depth, especially in recent years. We have not discovered all the answers, but I do believe we have learned enough to take constructive and responsible action in the immediate future.

Douglas emphasized that the program to be recommended would not be restricted to federal action. He envisioned a partnership of federal, state and local governments to assist the people of distressed areas. "The federal government," he said, "can lend a helping hand, but local agencies

[1] The six fields cover (1) federal redevelopment legislation; (2) food distribution improvement, general assistance and unemployment compensation; (3) highway programs, recreational facilities, public works and national resource development; (4) international trade, coal and mineral research, mine safety and national fuels policy; (5) defense contracts and reactivation or acceleration of plans for dispersal or decentralization of federal agencies; (6) special problems of the labor force, including establishment of retraining facilities. A special additional group headed by Harry G. Hoffman, editor of the *Charleston Gazette*, was named to give specific consideration to West Virginia's economic problems.

are the indispensable means of identifying and developing the positive values that exist in their communities."

Platform Promise and Hesitancy in Congress

The Democratic platform, referring to President Eisenhower's veto of a depressed areas bill last May, declared that the Democratic Congress "will again pass and the Democratic President will sign" a measure offering "low-interest loans to private enterprise to create new industry and new jobs in depressed communities, assistance to the communities to provide public facilities necessary to encourage the new industry, and retraining of workers for the new jobs."

Kennedy, campaigning in West Virginia's presidential primary last April, promised that if nominated and elected he would have ready for Congress within 60 days after his victory "a program to assist West Virginia to move forward." When he appointed the Douglas committee, he said that while it would concentrate on problems of West Virginia, the proposals for remedial action would be generally applicable to other hard-hit areas. Coal and steel districts of Pennsylvania, coal fields of eastern Kentucky and southern Indiana and Illinois, and the Mesabi iron ore range of Minnesota are among the regions of chief concern.

Persistence of pockets of poverty through good times as well as bad has been deplored by both Democratic and Republican members of Congress. However, broad differences exist as to how to tackle the problem. Kennedy's proposal of a comprehensive program of federal assistance is not supported by all members of his party and is opposed by many Republicans. The Democratic-controlled House Banking and Currency Committee cut by nearly one-third the total of loans and grants that would have been authorized for depressed areas by the bill vetoed last spring. Even as so modified, the bill passed the House, May 4, by a relatively close vote—202-184. A shift of nine votes would have produced a tie and thus killed the measure for lack of a majority. It had passed the Senate previously by an even closer vote—49-46.

Problem of Defining Areas to Qualify for Aid

The vetoed bill, ignoring Labor Department classifications, laid down its own definition of chronically depressed regions. Industrial redevelopment areas were to be those

where "there has existed substantial and persistent unemployment for an extended period of time." A proposed Area Redevelopment Administration would certify for assistance those areas in which unemployment at the time of application amounted to 6 per cent or more of the labor force, and which had suffered 12 per cent unemployment during the entire year preceding the application, or 9 per cent unemployment during 15 of the preceding 18 months, or 6 per cent during 18 of the preceding 24 months. The administrator was to have discretionary authority to certify for aid any area which in his judgment suffered from serious unemployment of other than a temporary nature.

In addition, the administrator was to be empowered to designate rural redevelopment areas where there existed "the largest number and percentage of low-income families and a condition of substantial and persistent unemployment or under-employment." Certification as a rural redevelopment area was to be mandatory in the case of the 500 counties at the bottom of the list in terms of the level of living of farm-operator families, and in the case of the 500 counties having the highest percentage of commercial farms producing less than $2,500 worth of products for sale annually.

The Department of Labor estimated that 143 urban industrial areas would have qualified for federal assistance under terms of the vetoed measure, including such populous communities as Atlantic City, Detroit, Louisville, Philadelphia and Pittsburgh.[2] It is considered likely that different criteria, eliminating such large centers, will be proposed in the bill to be offered in the new Congress. A minority report from the House Banking and Currency Committee, dated May 14, 1959, observed:

> The bill is supposed to assist chronically depressed areas which have lost their economic base. The administrator ought to be free to confine assistance to areas which in fact are areas which have lost their economic base. . . . Flat percentage tests coupled with mandatory recognition in a fluctuating economy could bring in so many areas as to make this program almost meaningless for the chronically depressed areas because of the resultant dilution of the assistance provided.

The final committee bill in the 86th Congress contained provision for a $75 million loan fund to assist introduction

[2] List prepared by the Labor Department for Rep. William B. Widnall (R N.J.), printed in *Congressional Record*, May 11, 1960, p. A4036. Atlantic City qualified because much of its population is unemployed in the winter months.

of industrial enterprises in poor rural areas. No fewer than 663 counties, 524 of them in the South, would have qualified for designation as rural depressed areas. Republicans estimated that the loan fund, if spread out evenly, would have provided only 23 new jobs per county.[3]

SERIOUSLY DEPRESSED AREAS: NUMBER AND LOCATION

In the broadest sense, an industrial area may be called chronically depressed if unemployment has stayed at a high level for a prolonged period and there is little hope of improvement. Rural regions are considered distressed if they have a large proportion of low-income families and substantial unemployment or under-employment.

One of the criteria traditionally used in defining depressed areas has been the percentage of the local labor force without work. The Labor Department designates an industrial area as being one of "substantial and persistent labor surplus" if unemployment amounts to 6 per cent or more of the labor force, discounting seasonal or temporary factors, and if the annual average unemployment rate is at least (*a*) 50 per cent above the national average for three of the preceding four calendar years; or (*b*) 75 per cent above the national average for two of the preceding three calendar years; or (*c*) 100 per cent above the national average for one of the preceding two calendar years.

On this basis, the Labor Department's latest report (Dec. 6) said that 22 of the country's 150 major labor areas qualified in November for designation as "Areas of Substantial and Persistent Labor Surplus." The 22 major areas in this category were situated in eight states and Puerto Rico, as follows: Indiana (Evansville, Terre Haute); Massachusetts (Fall River, Lawrence-Haverhill, Lowell, New Bedford); Michigan (Detroit, Muskegon-Muskegon Heights); New Jersey (Atlantic City); Ohio (Lorain-Elyria); Pennsylvania (Altoona, Erie, Johnstown, Scranton, Wilkes-Barre-Hazleton); Rhode Island (Providence-Pawtucket), West Virginia (Charleston, Huntington-Ashland, Wheeling); Puerto Rico (Mayaguez, Ponce, San Juan).

Seventy-five smaller areas were similarly classified. They were scattered across 23 states from Alabama to

[3] For details on the forms of assistance proposed and Eisenhower's objections, see pp. 956-957.

Alaska and from Maine to Washington. The largest concentrations in individual states were in the mining and steel areas of Pennsylvania and the mining areas of Kentucky and West Virginia. New England and New York textile communities also were heavily represented. Most of the areas of persistent as well as substantial labor surplus, major and minor, have been so designated a large part of the time since the Labor Department established this classification in 1951. Among the major areas, Lawrence and Lowell, Mass., Providence, R. I., Altoona and Scranton, Pa., and Terre Haute, Ind., have been on the list without a break.

Hard-Core Distress of the Appalachian Region

Depressed areas are identified in the public mind primarily with that region which stretches in a broad crescent from New England to the lower Mississippi. At the middle of the crescent are the coal regions of Pennsylvania, West Virginia and eastern Kentucky, where mechanization and a decline in the demand for coal have cost three miners out of five their jobs in the last decade.

The plight of the people in these areas has served to sharpen sympathy for provision of some form of federal aid. Julius Duscha, a *Washington Post* reporter who recently looked into the situation in the southern Appalachian region, concluded:

> Whole counties are precariously held together by a flour-and-dried-milk paste of surplus foods. The school lunch program provides many children with their only decent meals. Relief has become a way of life for once proud and aggressively independent mountain families. The men who are no longer needed in the mines and the farmers who cannot compete with the mechanized agriculture of the Midwest have themselves become surplus commodities in the mountains.[4]

Indicative of the desperate situation in which some communities find themselves is the "Save-a-Plant" plan proposed for Wheeling, W. Va., by Thomas M. Elliott, an unemployed steelworker. Under Elliott's plan, wages would be cut in half to attract industry; 1,200 men already have signed application blanks for work at $1.50 an hour despite strong union opposition.

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[4] *Washington Post*, Aug. 7, 1960. The Agriculture Department reports that as of Sept. 30 some 3.2 million Americans were receiving surplus food commodities, consisting of lard, rice, dried beans, corn meal, flour, dried milk and powdered eggs. This total included around 243,000 West Virginia residents and 377,000 residents of Pennsylvania.

Nearly 1½ million people have migrated from the 11-state Appalachian area in the last 10 years, but 10 million remain. In this 130,000-square-mile belt there were an estimated 500,000 unemployed in 1959 out of a total work force of 3½ million, a jobless rate of 16 per cent. Per capita income is from 10 to 50 per cent below the national average of $2,000. For every six jobs lost in coal mines in the last dozen years, only one has been gained in manufacturing. In Kentucky alone, employment in the mines fell by more than 50 per cent—from 62,000 in the peak year 1948 to 30,000 today—although coal output fell by only 20 per cent. West Virginia in 1948 had 125,000 coal miners at work; 10 years later they numbered only 68,000.

Decline of the coal-mining regions is an example of basic technological changes and shifts in demand that have combined to affect a region's primary source of employment. Migration of industry also is a common cause of chronic localized depression; New England's textile industry speeded up its shift to the low-wage states of the South after World War II and a number of northern communities have never fully recovered. Other communities have become chronic surplus labor areas because the basic resource which formerly supported employment has been depleted. Some towns in Michigan, Minnesota and Wisconsin, formerly dependent on copper and iron mining or lumbering, are in this category.

Portents of Trouble in Manufacturing Centers

The classic examples of depressed areas may soon be joined by large and hitherto prosperous industrial communities. The automobile manufacturing center of Detroit is already among the areas of substantial and persistent labor surplus. A sharp decline in steel output and employment suggests that a similar pattern may develop in major steel centers of Pennsylvania, Ohio, Illinois and Indiana. "The principal cause of unemployment in these areas is the lack of industrial diversification or the dependence upon a single industry." [5]

Many labor experts have commented on the significant changes in the industrial structure of employment in re-

[5] Sar A. Levitan, "Our Creeping Unemployment," *The Reporter*, Sept. 29, 1960, p. 22. Some economists characterize the situation in the steel centers as cyclical unemployment rather than chronic unemployment, but over the last decade monthly steel production has risen about 35 per cent while employment has moved up only about 6 per cent.

cent years. Since 1953, non-industrial employment has increased by 4.5 million, whereas industrial employment has declined by 1.3 million.[6] Economists began to express deep concern over changes in employment in manufacturing industries during and after the business recession of 1957-58. In the six months immediately following that recession, production increased by 10.6 per cent, but the number of production workers in manufacturing industries rose by only 2 per cent. Since increased production was not accompanied by a corresponding increase in employment, new pools of chronic unemployment were in the making.[7]

Recent trends in employment confirm the impression that many manufacturing areas are drifting into conditions of economic distress once limited mainly to mountainous and semi-rural regions. One industrial expert has commented: "Blue collar employment in manufacturing has actually been falling off the past few years, . . . due in very large measure to automation. It is significant that much more than a proportionate share of the hard-core unemployment in our distressed areas is composed of workers whose last job was in manufacturing." [8]

Nearly 130,000 auto manufacturing jobs in Detroit—more than a third of those in existence in 1950—have disappeared, due to a combination of automation, decentralization of auto production, and shutdowns of several Detroit plants. The American automobile industry needed 928,000 workers to turn out 6.1 million passenger cars in 1953, but only 786,300 workers to turn out virtually the same number of cars in 1957.

The Labor Department has forecast a net increase of 13.5 million workers in the labor force between 1960 and 1970, bringing the total to 87 million. Manufacturing employment would rise 20 per cent during the decade, according to the Labor Department projections, although it in fact declined by 6.3 per cent between 1953 and 1959. A study by the Public Affairs Institute last year predicted:

> There will be virtually no openings in manufacturing, mining and transportation, which accounted for more than 40 per cent of all non-agricultural employment before the last [1957-58] reces-

[6] "The Current Labor Market," *Federal Reserve Bulletin*, May 1960, p. 469.

[7] See "Lag in Employment," *E.R.R.*, 1959 Vol. I, pp. 3-17.

[8] Testimony of Charles C. Killingsworth, professor of labor and industrial relations, Michigan State University, before Senate Labor Subcommittee on Employment and Manpower, June 15, 1960.

> sion, and there will be very few openings in wholesale and retail trade, which accounted for another 20 per cent and is now in the phase of rapid technical transformation. The bulk of new jobs must be provided by construction, finance, service industries and government.[9]

Future growth of manufacturing is of vital importance to existing depressed areas and to full-employment industrial centers alike, for further contraction of employment in manufacturing probably would foster new distressed areas. Moreover, currently conceived legislation for federal aid to depressed regions postulates the kind of economy that will create more industrial jobs for export to areas of substantial and persistent unemployment.

Some labor experts fear that little of lasting value can be done for depressed areas unless the remainder of the economy is basically sound. It is thus a question whether new area redevelopment legislation should embrace the emerging problems of the manufacturing centers or be limited to difficulties of mining and rural regions.

Problems in Relocating Idle Workers

SOCIOLOGISTS have conducted many investigations to find out why the unemployed in distressed areas are unable to shift to an expanding industry in their localities or are unwilling to move to other areas where jobs are available. Actually, labor mobility rates in the United States are "the highest of any nation, free or otherwise." [10] It is true, however, that the main currents of American life have tended to reduce labor mobility in the present century, and the trend has been particularly evident in distressed areas during recent years.

Even where employment openings exist in those areas, the jobs are likely to be in poorer-paying trade and service establishments which hire mostly women or young people. Employers are reluctant to take on middle-aged or older workers who might quit the job if their former employer needed additional hands. One exhaustive study concluded

[9] W. S. and E. S. Woytinsky, *Lessons of the Recessions* (1959), p. 50.

[10] Stanley Lebergott, *Long-Term Factors in Labor Mobility and Unemployment* (study submitted to congressional Joint Economic Committee, April 25, 1959).

that every worker has a level below which he will not work except under extreme deprivation. It suggested that a "downward job-status change ['skidding'] may be no less damaging to the self-esteem and morale of a worker than the sheer fact of being unemployed." [11]

The resistance when an unemployed worker is forced to consider removal from his home town are of a different order from those which come into play when opportunity to get a lower-paying job in the same community presents itself. Many workers who have been laid off are reluctant to abandon the investment in their jobs based on seniority and pension rights, vacations, and sick benefits. These and other vested interests lead the unemployed worker to hang on as long as possible before moving to a more promising locality.

The jobless worker often convinces himself that he has a good chance of getting his old job back if he waits a little longer. "Even in some of the [northern] communities most seriously affected by the southward migration of the textile industry, there remains some hope . . . that the mills will be opened again. This may be true even in . . . cases where the mills have been stripped of their machinery, and the vacant buildings offer mute testimony to the permanence of the shutdown." [12]

One of the most formidable barriers to leaving a labor surplus area is home ownership. At the beginning of this century, about 36 per cent of the country's non-farm families owned their homes; today, the ratio is half again as great. Ewan Clague, commissioner of the Bureau of Labor Statistics, has stated:

> Most homes are purchased when times are good and house prices are high. Prices of houses are down when an area is depressed, and indeed, selling is often difficult at any price. Under these conditions, selling a house could mean a loss of several thousand dollars. . . . When one adds to this potential loss the ordinary costs of moving, it is easy to see that leaving a community cannot be undertaken casually.[13]

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[11] *Too Old to Work—Too Young to Retire: A Case Study of a Permanent Plant Shutdown* (prepared for Senate Special Committee on Unemployment Problems by Institute of Labor and Industrial Relations, University of Michigan and Wayne State University, Dec. 21, 1959), p. 32.

[12] William F. Miernyk, *Depressed Industrial Areas—A National Problem* (study prepared for National Planning Association).

[13] Testimony before Joint Economic Committee, April 25, 1960.

Aside from financial considerations, the worker must face a severing of his community ties. Social scientists have found that a high percentage of the jobless who do move away will return at once if any new job opportunities develop.

Surplus food and public assistance programs (and unemployment compensation until benefits rights are exhausted) enable residents of depressed regions to subsist even after hope of re-employment has vanished. All recent area redevelopment proposals have rejected the concept that workers should be relocated at government expense. Opposition from local authorities and business interests, added to worker resistance, militates against enactment of federal legislation calling for movement of workers out of depressed areas. Rep. James G. O'Hara (D Mich.) in a House speech last Sept. 1 voiced the prevailing view of Congress: "Rather than dismantle communities, it makes much more sense to me to assist these communities in their attempts to encourage expanding industries, both new and old, to locate in their areas."

Programs of government assistance to labor surplus areas in some European countries take the opposite tack. In Sweden efforts to bring the worker to the job receive far greater emphasis than efforts to bring industry to the worker. In Great Britain an unemployed worker selected for a suitable job for which no jobless person in the new location is available receives free transportation for himself and his dependents.[14] Lodging expenses for up to two years are provided if the worker's dependents are unable to join him. Moving costs are paid by the government, plus £50 toward legal and agents' fees if the worker needs to buy or sell a house and £10 for incidental expenses.[15]

Most economists insist that area redevelopment legislation should include some provision for relocation of workers, at least in the case of areas whose distress cannot be mitigated by other means. One has declared: "Industries, to remain competitive, must generally be well located with regard to all their inputs as well as with regard to markets, and it is obvious that not all areas with problems of surplus

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[14] At the postwar extra session of Congress in September 1945, a proposal by President Truman that up to $200 be paid to disemployed war workers moving to new jobs was approved by the Senate but was later defeated by the House.

[15] Ellen M. Bussey, "Assistance to Labor Surplus Areas in Europe," *Monthly Labor Review*, June 1960, p. 572.

labor are capable of economically absorbing new industries." [16] It is conceded that there are few areas where adequate job opportunities could be opened for semi-skilled or unskilled workers, or for marginal farmers, from other regions.

Self-Help Activities in Depressed Areas

MANY DEPRESSED AREAS have sought to solve their economic problems from within. Even proponents of extensive federal assistance acknowledge that help from Washington will depend for its effectiveness largely on the underlying development programs already in operation locally. Vigorous community-based rehabilitation programs have in some cases offered incentives to industry beyond those contemplated by federal area redevelopment legislation. Experience with local programs has caused some observers to question whether federal incentives will succeed in turning the unemployment tide where determined local effort has failed.

Community Efforts to Promote Employment

More than 2,000 communities currently are carrying on industrial development and expansion programs through formally constituted organizations variously known as "industrial development corporations," "foundations," "funds," etc. Most of these organizations have been set up since World War II, although Scranton, Pa., still a trouble spot, chartered its first industrial development corporation as long ago as 1914.

Local chambers of commerce have established by far the largest number of the self-help organizations and most of them operate under direct chamber auspices. Generally they are prepared to offer industrial sites and plant facilities for sale or lease, and to extend financial and other assistance to both incoming and established business enterprises. The U.S. Department of Commerce maintains a small Office of Area Development to extend technical advice and encouragement to self-help groups, but local initiative

[16] Harvey S. Perloff in paper presented at annual meeting of American Economic Association, Washington, D. C., Dec. 28, 1959.

of a high order is regarded as essential to success in putting a depressed community on its feet.

In Hazleton, Pa., an area of heavy unemployment resulting from decline of the anthracite coal industry, a non-profit corporation, CAN DO, Inc. (Community-Area New Development Organization), is credited with creating in the last five years 3,000 potential jobs in firms new to the Hazleton area. Lawrence, Mass., hard-hit by a decline in the textile industry, sparked a substantial improvement through a nationally publicized drive for new industry.

Lawrence, however, has not got off the Labor Department's list of major areas of substantial and persistent labor surplus. The same is true of Scranton, whose community organizations have constructed more than 30 plants for new enterprises. Residents of Altoona, Pa., contributed \$847,000 through payroll deductions and bought bonds in the amount of \$134,000 to provide sites for new plants after its steam locomotive repair center closed down. Some 3,000 jobs were generated, increasing the annual payroll by \$12 million, but substantial unemployment remains.

Community incentives for new industry have not always achieved their purpose. A survey by the Boston Federal Reserve Bank in November 1959 found that 21 "speculative" industrial buildings (those constructed with funds of local industrial development organizations for later lease or sale to private industry) had been built in New England, but that 11 of the buildings still were standing idle.

State Action to Spur Industrial Development

Concern over depressed-area problems has led to adoption of a variety of remedial programs at the state level. One approach has been creation of state development agencies and commissions, some with cabinet status in the state government; another, the organization of state-wide, privately financed development credit corporations. On occasion, state credit and/or cash has been used to finance industrial construction or to supplement local funds raised for that purpose.

The Pennsylvania Industrial Development Authority, the most ambitious of these undertakings, has a revolving fund of \$19 million designed specifically to attract industry to the state's numerous labor surplus areas. New industrial projects established in Pennsylvania since 1956 have num-

bered 127—35 of them relocated from other states. Total projects costs have been $51 million, of which 30 per cent has been provided by P.I.D.A. loans.

The Arkansas Development Finance Corporation is another state agency that combines private and public money to attract new industry. In New Hampshire and Maine, public authorities have been set up to construct industrial parks. West Virginia has adopted a State Temporary Economic Program to put 1,200 of the unemployed to work at $1 an hour building and rehabilitating parks and other recreation centers and cleaning up state forests.

In one notable case, several states banded together to seek a regional solution to the common problem of unemployment and economic depression. Nine states entered into a voluntary compact, last Oct. 18, at the conclusion of a two-day Appalachian Governors Conference. No specific projects were proposed, but the group voted to meet again early in 1961 to draw up action programs.[17] A resolution adopted by the governors said "appropriate federal participation" would be needed to supplement programs of development in the local communities and areas of the Appalachian region. Suggested "areas of concentration" in seeking solutions are adequate highway systems, water projects, industrialization, research on natural resources, education, and tourism.

Mixed Results of State and Local Programs

Results of state and local efforts to attract new industry to depressed areas often have been disappointing. The obstacles have proved formidable in areas with long histories of violence in labor disputes. Communities in some regions are struggling against each other to keep their share of dwindling regional income, despite the fact that "it is unrealistic for a town to expect to return to prosperity while communities 20 or 30 miles on either side remain in the economic doldrums." [18]

The quality of local leadership diminishes in areas of acute distress; a feeling of hopelessness is engendered by the steady drain of personal, financial, physical and moral

[17] The associated states are Pennsylvania, Maryland, Virginia, North Carolina, Georgia, Alabama, Tennessee, Kentucky and West Virginia, with New York and South Carolina possible future members.

[18] William J. Byron, "Needed: Local Leadership in Depressed Areas," *Harvard Business Review*, July-August 1960, p. 119.

resources. "Where distress has been of long duration, the tax base is too limited to make it feasible to increase the burden of taxation in order to qualify for funds for financing redevelopment projects through the ordinary financial channels. The limited tax base of rural communities eliminates the possibility of their self-development." [19]

Proponents of federal aid declare that setbacks from the loss of key industries have been so serious that the best efforts of communities to solve their own problems have been largely unavailing. On the other hand, self-help has proved effective in a considerable number of cases. "When the attitude of the people in the community is right and they honestly strive to help themselves they will be successful. Success begets success. No amount of aid from the federal government will ever be a substitute for right attitudes and right motives." [20]

Federal Assistance in Rehabilitation

WHEN PRESIDENT-ELECT KENNEDY was campaigning in West Virginia last spring, he promised that, if sent to the White House, he would take definite executive action, in addition to recommending legislation, to help the state meet its serious economic difficulties. He specifically mentioned the possibility of making available a greater variety of surplus foods in government hands. Facilities to meet the food needs of distressed areas are already in being. In fact, official awareness of the problem of depressed areas was evidenced at Washington as long ago as 1949 with the initiation of certain selective assistance programs.

Attempts to Channel Jobs to Depressed Areas

Present government policy, for example, is to encourage placement of defense and civilian supply contracts in areas of substantial labor surplus. Under a directive issued in February 1952, set-asides, bid-matching, and tie-bid procedures have been used to channel more than $15 billion

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[19] Statement by Area Employment Expansion Committee, New York, 1959.

[20] Footnote dissent in policy statement by National Planning Association Committee on Depressed Areas, January 1957, by Kurtz M. Hanson, president of Champion International Company.

of procurement contracts directly to regions with heavy unemployment.

To encourage new plants to locate in labor surplus areas, the Office of Defense Mobilization in November 1953 began offering additional rapid tax write-off allowances to firms establishing or expanding certain types of defense facilities in areas of chronic unemployment. This policy was broadened a year later to apply to all labor surplus areas, including those with 6 per cent of the work force idle from any temporary, short-run cause. The effect was to dilute the tax amortization assistance for truly depressed areas.[21] Labor surplus areas have been eligible, since December 1954, for preferential treatment under the "Buy American Act" when competing with foreign manufacturers for government contracts. But foreign policy has limited the usefulness of this program, and there has been no attempt in its application to distinguish between chronic and nonchronic surplus areas.

To help meet the redevelopment needs of poor farm regions, the Agriculture Department in 1955 set up a rural development program. Initial concentration was on a few pilot counties in each state with the primary aim of stimulating a spirit of self-help. By 1960, 210 counties in 30 states and Puerto Rico had more than 2,000 projects under way to improve farms, build new industries and expand existing ones, raise health levels, and help both youths and adults to obtain needed training.

The rural development program has come under sharp attack in Congress and from other quarters as being too narrow to solve the problems of distressed rural regions. A report prepared under auspices of the National Planning Association in 1959 declared:

> Given the huge magnitude of the low-income rural problem, special financial support . . . has thus far been extremely niggardly. For the fiscal year 1958-59, the President requested and received from the Congress $15 million of additional loan authorizations for operations . . . in the pilot counties. This amounts to only $150,000 per pilot county. . . . The low-income rural problem is far too vast and deep-seated to be solved by the rural development program as presently conceived.

A study by economists in the Agricultural Research Service of the Department of Agriculture concluded, Dec. 5,

[21] The whole program was sharply curtailed in August 1957 when stringent restrictions were placed on the type of facility eligible for tax amortization assistance.

that only broad programs aimed at complete area redevelopment could improve the situation. It suggested social security retirement programs for older farmers, state and federal programs to get industry to employ older persons, and more schooling to prepare younger persons for non-farm work.

FAILURE OF SUCCESSIVE BILLS FOR EXTENDING AID

Despite evidences of increasing support in Congress for comprehensive legislation to aid depressed areas over the past five years, none has been put on the statute books. A bill by Sen. Douglas (D Ill.) went through the Senate in 1956, 60-30, but the House took no action. A bill jointly sponsored by Douglas and Sen. Frederick G. Payne (R Maine) in 1958 passed the Senate, 46-36, and the House, 176-130, but was killed by pocket veto after the close of the session.

A slightly revised Douglas-Payne bill was sent to the White House in May 1960 and an Eisenhower veto was sustained by the Senate. In the wake of that bill, which would have authorized $251 million of federal funds, an administration compromise was offered which called for total outlays of $180 million. A contentious one-day hearing on the administration's bill was held by a Senate subcommittee, but no further action was taken.

The vetoed legislation would have set up an Area Redevelopment Administration assisted by a Cabinet-level Area Redevelopment Advisory Board and a citizens National Public Advisory Committee. In vetoing the bill, President Eisenhower contended that no new government agency was needed to handle an area-redevelopment program because the Department of Commerce could administer it much more efficiently and without delay.

The eligibility criteria set forth in the bill were criticized by the President as opening a way to "squander the federal taxpayers' money where there is only temporary economic difficulty, curable without . . . special federal assistance." He added: "In consequence, communities in genuine need would receive less federal help for industrial development projects than under the administration's proposal." Regarding provisions for federal loans for construction of industrial buildings in rural areas, he directed attention to the large number of rural counties presumably eligible, and

said a preferable course would be to strengthen the existing rural development program and expand Small Business Administration activities.[22]

The Democratic measure would have authorized two revolving loan funds of $75 million each, one for industrial redevelopment and the other for rural redevelopment. It specified that federal participation in a project must not exceed 65 per cent (the President wanted federal participation limited to 35 per cent); that loans to carry out approved projects must provide more than temporary relief from unemployment or under-employment; that the loans must be repaid within 30 years and bear an interest rate ½ per cent above the Treasury rate.

An additional $50 million revolving fund would have been authorized for loans to construct and improve public facilities within industrial or rural redevelopment areas. Other provisions would have sanctioned an annual appropriation of $1.5 million to enable the Secretary of Labor to set up vocational training programs for unemployed workers in redevelopment areas and of $10 million for subsistence payments to workers in training for new jobs.

The wisdom of many of these provisions was questioned by the President. He said that "essential local, state and private initiative would be materially inhibited by the excessive federal participation"; that federal financing of plant machinery and equipment was "unwise and unnecessary and therefore wasteful of money that otherwise could be of real help"; that federal loan assistance for construction of public facilities was "unnecessary because such assistance is already available under an existing government program."

PRESSURE FOR LEGISLATION VS. POSSIBLE PITFALLS

Those who favor a broad program of federal aid to depressed areas insist that the federal government, under the Employment Act of 1946, has a clear mandate to promote "maximum employment, production and purchasing power," a mandate not being honored so long as cancerous pockets of chronic unemployment and under-em-

[22] Secretary of Commerce Frederick H. Mueller, testifying before a subcommittee of the Senate Banking and Currency Committee, Aug. 18, stated: "Admittedly rural low-income areas have significant problems but these are not problems of substantial unemployment; nor do those areas have the broad base on which industrial development can immediately take place."

ployment are allowed to remain as threats to the whole economy.

Opponents of a broad program of federal assistance say it would inevitably be expanded to include more types of areas, more activities, more burdens for the taxpayer. They ask what the federal government's responsibility would be if a plant established under the federal program turned out to be unprofitable. Would the federal government be bound to keep it in operation? Further, how would ineligible communities react when specific enterprises turned away from plant locations there in favor of federally subsidized plants in depressed areas?

Under the measure vetoed by the President this year, federal funds could not have been used to help an industry move from one area to another when "such assistance will result in an increase in unemployment in the areas of original location." This was much more specific than the original provision, which merely required the administrator to avoid action that would result in substantial detriment to other areas. An anti-pirating amendment to require that financial aid "not be extended . . . to assist establishments relocating from one area to another" failed of adoption.

Present plans of the Democratic leadership are believed to call for early passage of a depressed-area bill—modeled on that vetoed by President Eisenhower but elaborated in some respects and modified in others—to make it the first major achievement of the Kennedy administration. But strong opposition remains, based on such contentions as that of the National Association of Manufacturers on Nov. 24—that federal legislation for area redevelopment represents an effort to subsidize economic activities in places where business no longer finds it feasible or desirable to operate without government subsidy.[23]

[23] It has not escaped the notice of the national legislators that of the 29 Democrats whose House seats were captured by Republicans in the November election, 25 had voted for the bill killed by the President's veto.